RESPONSIBLE INVESTING
REQUEST FOR INFORMATION

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PREAMBLE

In accordance with Queen's University's Responsible Investing Policy, as approved in May 2017, we require all of Queen's External Investment Managers to take due regard of environmental, social, and governance ("ESG") factors in making investment decisions. Managers will be asked to engage where appropriate and report to the University on their ESG activities on an annual basis.

Link to Responsible Investing Policy:
http://queensu.ca/secretariat/sites/webpublish.queensu.ca.uslcwww/files/files/policies/board/Responsible%20Investing%20Policy.pdf

To assist with our due diligence, we request that you respond to the following questions no later than August 21, 2020.

Note: Responses to this questionnaire will be posted in full on Queen's website.

GENERAL

1) Please provide your ESG-related policies.

We have articulated our overall philosophy and views with respect to ESG in our "Environmental, Social and Governance (ESG) Policy" (January, 2020 - please see attachment and note that this document is not for public distribution).

2) Are sustainable investing and ESG factors integrated into your investment process and portfolio management decisions? If yes, please provide details.

ESG review is fully integrated into our investment process. Each member of our investment team is responsible for identifying and evaluating ESG risks and opportunities as they research companies in their respective sectors. To assist in the identification of sector-level ESG issues, we refer to SASB's Sustainability Accounting Standards and to assist with the identification of company-specific issues, we utilize the services of two third-party providers – Sustainalytics and Glass Lewis.

3) a) Are you a signatory to the UNPRI?

Yes

b) If you are signatory to other coalitions, please list them.

Member of the Canadian Coalition for Good Governance (CCGG)

c) Indicate any other international standards, industry guidelines, reporting frameworks, or initiatives that guide your responsible investing practices.

The FSA (Fundamentals of Sustainability Accounting) credential from the SASB (Sustainability Accounting Standards Board); see question 4.

4) Please describe how ESG oversight and integration responsibilities are structured at your firm, including the process for escalation of key ESG issues. How do you obtain ESG information/data (e.g. public information, third party research, reports and statements from the company, direct engagement with the company)?

As the analyst is researching a particular company, should material ESG issues be identified, the analyst will engage with the company's management to explore these issues.

All companies considered for inclusion in our portfolios are peer reviewed by our investment committee, which is comprised of all members of our investment team. This review includes a discussion of the ESG issues facing the company. Terry Howard, a member of our investment team and our ESG Lead, spearheads our ESG review process, ensuring that the team is adhering to our guidelines. Mr. Howard often leads the discussion of ESG issues by the investment committee when a new idea is under consideration for inclusion in our portfolios.

Mr. Howard is responsible for conducting a review of all holdings in our portfolios, at least annually, to identify and address any material ESG concerns that may have arisen with respect to any of the holdings. In evaluating ESG concerns identified, Mr. Howard works with the analyst responsible for the individual security to determine the appropriate course of action for the holding. In 2018, Terry earned the FSA (Fundamentals of Sustainability Accounting) credential from the SASB (Sustainability Accounting Standards Board). It is our goal by the end of 2020, to have the entire investment team certified; so far, six have received the credential.

5) What channels do you use to communicate ESG-related information to clients and/or the public? Do you produce thought leadership (written reports and publications)? If so, is the information available to the public? Please provide links, if applicable.

Our ESG and Proxy Voting policies are made available to our clients and to select prospects. Upon request, we also report to our clients on the following:

- voting activities (full voting records available; can be sent on a regular basis);
- engagement activities;
- ESG Research and other relevant activities.

In addition to, ESG-related information may be found in our client reporting packages and the LBA website.

6) Do you have periodic reviews of your ESG process/approach to assess its effectiveness? What are the results? What would cause you to disregard ESG issues in your investment/analysis decisions?

Our ESG policy is formally reviewed annually but, by sharing our learnings internally, we strive to improve our process continually. Our approach would be best described as iterative, in that our analysts will discuss amongst themselves our ESG process to evaluate the most effective practices.

We do not disregard material ESG issues in our investment decision. If the issue, and the risk, is material, our research process will see us explore the issue to understand how the risks may impact upon the financial performance of the firm. This process will see us utilize third-party research, such as by Sustainalytics, and engage with company management to assess the firm's management of these issues.

While our focus in the area of ESG is identifying and evaluating material ESG risks, there are typically other ESG risks which are not likely to be material to the firm's financial performance. These issues are considered but, as they are not material, the research effort devoted to evaluating these issues is not at the same level as for the material ESG risks. However, as our review of ESG risks is ongoing, including an at least annual ESG review of all portfolio holdings, previously immaterial issues will be identified and considered should their risk become material.

CLIMATE

7) Describe how you identify, assess, and manage climate-related risks.

LBA has a firm-wide strategy in place to identify and manage material climate-related risks and opportunities. The Climate Change Committee of 10 analysts is looking at climate change from a scientific perspective to identify how each industry will be affected by climate change, in the short and long-term, and what risks and opportunities are likely to be presented to these industries as a result of climate change.

The Climate Change Committee has two primary objectives:

• Survey the existing claims on climate change and the science underpinning climate change models

• Identify investment risks and opportunities arising from climate change, both in our portfolios and, more broadly, in capital markets.

8) Describe the climate-related risks and opportunities you have identified over the short, medium, and long term.

We feel that the impacts of climate change are real and present serious challenges to many of the companies that we own, not only in the energy sector; but as well in sectors such as automotive and insurance. We are evaluating the impacts of climate change by means of understanding how the global economy can use less coal, oil and natural gas in the future while maintaining both energy availability and security. We realize that the transition will be progressive and that oil and natural gas can contribute positively during that period in addition to playing an important continuing role in the production of a multitude of chemicals fundamental to our well-being, such as fertilizers.

Thermal coal is, by far, the major source of greenhouse gas emissions from fossil fuels. Technologies that help eliminate power production from coal are valued, not only for developing economies that rely heavily on coal, but also for some developed economies such as the US.

On the oil side, we study the progress being made related to increasing the miles driven per gallon by motor vehicles and the evolution of the electric automobile. On the other hand, we understand many other forms of transportation – airplanes, ships, trucks, railways and barges – will continue to be heavily reliant on diesel and jet fuel for many years to come.

With respect to natural gas, we view it not only as a secure energy source in itself but as an important intermediate solution from coal usage to renewables (e.g. wind) in the coming years. We recognize that battery capacity will be critical to the success of renewables and are carefully following the advent of new technologies that will improve the energy density of batteries – i.e., their ability to store electricity in small and lightweight receptacles at a reasonable cost.

In addition, in 2019, our firm created a Climate Change Committee whose task is to identify the risks and the opportunities involving climate change and how it might affect our investment decisions. The composition of the group involves representation from analysts in the resources sectors, industrials, transportation, and banking/insurance as well as an economist. It is chaired by Ivan Kraljevic, our healthcare analyst.

In summary, we feel that the transition to a lower-carbon economy is inevitable; however, it is evident that both the timing and the path of the journey will be inexact. Nevertheless, we envision a myriad of potential investing opportunities (i.e. the aforementioned battery, wind and solar, pollution abatement) as progress is made toward a more sustainable planet.

9) Describe the resilience of your investment strategy, taking into consideration different climate-related scenarios.

The research team conducts climate change scenario analysis on multiple levels, beginning with the potential global physical changes and how these in-turn impact the macroeconomic environment, policy and regulation, sector and industry dynamics, and individual company performance. Due to the complex interconnectedness of these scenarios, the analysis is carried out as an integrated team effort on an ongoing basis, led by the Climate Change Committee.

The foundational level of the analysis is based on the potential global physical impacts. This information is largely drawn from the scenarios presented in the UN Intergovernmental Panel on Climate Change (IPCC) reports for global average temperature increases of 1.5° C, 2.0° C and above, and additional research from subject matter experts. We also track historical and current commitments of governments and industry groups and their plans on how to address climate change. Based on this framework, we construct industry-level scenarios based on how we believe governments, industries and companies could act to prevent, and eventually function within, the new physical environment. We also analyze scenarios where the temperature thresholds are exceeded.

The scenarios examined at the industry level vary considerably depending on industry, geography and integration with other industries. The volume of information on all industry scenarios analyzed is perhaps beyond the scope of this questionnaire, however, we have outlined an example below and can provide further information if requested.

For this example, we will discuss a portion of the scenario analysis conducted on the auto industry. In order to achieve emissions reduction targets to stay below the 1.5° C or 2.0° C thresholds as outlined in the IPCC reports, in our view the industry will continue to transition away from internal combustion engine (ICE) vehicles toward electric vehicles (EVs). The speed of this transition is an important determining factor in the magnitude of achievable global emissions reduction. Scenarios are studied to see how quickly the global fleet can realistically be transitioned and whether this is physically possible given the technological, financial and raw material requirements. The question of whether consumer demand and market forces would be enough to transition the fleet and reach government emissions targets in time was investigated, with scenarios analyzed to determine if government subsidies would be required across multiple geographies to accelerate the process.

Factors such as the price point at which consumers would be willing to purchase an EV over an ICE vehicle needed to be taken into account, and were determined by scenario analysis of EV costs based on battery technology development and the timing of when these technologies could come to market. In addition, the pressure of governments tightening emissions standards on ICE vehicles across the globe was integrated into the analysis. Each of these scenarios is taken into consideration when determining the possible speed of the transition to EVs and utilized in our forecasts for the auto industry.

In parallel with this research, the impact on related industries is also taken into consideration. For example, the impact on global oil demand depending on the speed of adoption of EVs and what this means for energy producers, and the potential for increased demand for battery raw materials and the impact on the metals and mining industry were considered.

The investment approach at LBA already considers many of these elements in the research process. The team is always looking to improve our understanding of potential medium- and long term trends and shifts in industry and the global economy, and the impact of climate change is perhaps one of the most defining issues the human race has had to face. The continued integration of climate change scenario analysis improves our ability to identify and quantify potential risks to investments, and also highlight new areas of opportunity.

10) Do you track the carbon footprint of portfolio holdings?

No

If yes, please describe the methodology and metrics used, and whether you have a set target for reducing the portfolio's footprint.

We have assessed several providers of carbon reporting and monitoring data and hope to introduce carbon reporting for our portfolios within the next year.

11) What are your firm's emissions? Please demonstrate how/whether you are taking steps to reduce these scenarios?

Unknown at this time.

DIVERSITY

12) Please provide the composition of your senior leadership team and board of directors, including women and visible minorities. How do you encourage diversity of perspectives and experience?*

The Board of Directors is comprised of five members, three of whom are independent, outside Directors, including the Chairman of the Board. At the moment, none of the board are women or minorities. Our senior leadership team is comprised of 14% women and 14% minorities.

Although LBA does not have formal diversity and inclusion targets, it has always been at the core of our values. We believe that a diverse workforce, with varying views and thoughts will benefit our communities, clients and the organization. LBA has created an enjoyable and safe-space work environment that fosters respect for all employees. Our top leaders are made up of a broad range of individuals who collectively bring together a unique mix of skills and backgrounds. Our firm is also proud of our multicultural team, where the investment team speaks 13 languages and have brought their experiences and knowledge from countries outside of Canada. Women in leadership roles also play a key role and we are committed to providing an equal opportunity for all employees and the elimination of discrimination in the workplace due to age, disability, gender, race and more. In addition, we also believe it is important that all employees are heard and recognized for their valued contribution, further fostering creative thinking and problem solving. Our firm acknowledges the value and positive impact that diversity and inclusion have made and will continue to instill these views on an ongoing basis.

PROXY VOTING

13) What proportion of the time do you vote with or against management on shareholder resolutions, board appointments, and auditor appointments? What proportion of the time do you vote with or against management on ESG issues? How does this break down for climate, diversity, and remuneration issues?*

In 2019, we voted for 29% of shareholder proposals.

In 2019, 24% of the proxies we voted included a vote against one or more director appointments.

In 2019, 1.5% of the proxies we voted included a vote against the auditor.

Remuneration – 10% of proxies voted against.

Climate – 4 shareholder resolutions in 2019 – supported 1 = 25%.

Diversity – no shareholder proposals in 2019.

14) What proportion of all independent ESG shareholder resolutions do you support?*

See question 13.

15) What proportion of remuneration packages do you vote in favour of? In your view, is the current level of executive remuneration too high, too low, or about right? How is this view reflected in your voting record on remuneration?*

In 2019, 10% of the proxies we voted included a vote against management due to compensation concerns, including excessive equity dilution.

16) Have you ever co-filed an ESG-related shareholder resolution? If so, how many and with what frequency?*

No.

17) Have you ever voted against a director for explicitly ESG-related reasons? If so, why? If not, would you consider doing so in the future?*

We have voted against directors (members of the compensation committee) when we are dissatisfied with executive compensation arrangements.

ENGAGEMENT

18) How many companies do you engage with? What proportion of your engagements focus on environmental and social issues? What are your engagement goals? Are these goals outcome/action-based (e.g. decreases in emissions or increases in number of women on the board) or means-based (reporting on emissions or number of women on the board)?*

In 2019, we engaged with just over 200 portfolio companies, engaging with each of these companies one or more times. We estimate that we engaged with several hundred additional companies which did not make their way into our portfolios.

Our goals can be both outcome/action and means-based; nevertheless, the objective is to identify and evaluate material ESG risks to understand how they may impact upon the financial performance of the firm.

19) What is your policy around the escalation of engagement; how and why might this happen and what is the ultimate tool you might use (e.g. voting against board re-election, etc.)?*

In terms of escalation, each analyst may have a process that will differ according to their relationship with the company. Generally, analysts will make several attempts at dialogue with an organization. If a company is unresponsive to a particular issue, the analyst will bring the matter to the Investment Committee for discussion and determination of how to proceed, whether further efforts at dialogue with more senior levels of the firm or, perhaps, divestment.

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